Order Code RL31349

CRS Report for Congress
Received through the CRS Web

Defense Budget for FY2003: Data Summary

March 29, 2002

Stephen Daggett
Specialist in National Defense
and
Amy Belasco
Consultant
Foreign Affairs, Defense, and Trade Division

Defense Budget for FY2003:
Data Summary

Summary

This report is designed to be a readily accessible source of facts and figures on the FY2003 defense budget. Part I presents basic data on the national defense budget request, including figures on budget authority and outlays for the Department of Defense and for the national defense budget function. Part II shows trends in overall defense spending, including figures on the growth and decline of defense spending, on defense outlays as a share of federal expenditures, on defense outlays as a share of gross domestic product, and on foreign military spending. Part III defines key defense budget terms.

To illustrate trends in the regular defense program, most of the data included in this report exclude costs of Operation Desert Shield/Desert Storm, which was largely financed by allied contributions.

Contents

Introduction 1

Part I: The FY2003 Defense Budget Request 5

Part II: Trends in Defense Spending 11

Part III: Definitions of Budget Terms 29

List of Figures

Figure 1: DOD Budget Authority by Service, FY2003 Request 9
Figure 2: DOD Budget Authority by Title, FY1985-2007 14
Figure 3: Active Duty End-Strength by Service, Selected Years, FY1987-2003 14
Figure 4: Active Duty End-Strength, FY1950-2003 16
Figure 5: National Defense Outlays, FY1910-2007 22
Figure 6: National Defense Budget Authority and Outlays, FY1947-2007 22
Figure 7: National Defense Outlays, Percentage of GDP/GNP, FY1910-2007 . 23
Figure 8: National Defense Outlays, Percentage of GDP, FY1947-2007 23
Figure 9: National Defense Outlays, Percentage of Federal Outlays, FY1940-2007 26
Figure 10: Federal Outlays by Budget Enforcement Act Category, FY1962-2007 26

List of Tables

Table 1. National Defense Budget Function and Department of Defense Budget, FY1995-2007 6
Table 2. National Defense Budget Function by Appropriations Title, Budget Authority, FY1995-2007 7
Table 3. National Defense Budget Function by Appropriations Title, Outlays, FY1995-2007 8
Table 4. Department of Defense Budget Authority by Service, FY1994-2003 . . 9
Table 5. Operation Desert Shield/Desert Storm Budget Authority and Outlays 10
Table 6. National Defense Budget Authority Trends by Appropriations Title, FY1976-2007 12
Table 7. Department of Defense Personnel Levels, Selected Years 15
Table 8. Department of Defense Active Duty Personnel Levels, FY1950-2003 16
Table 9. U.S. Military Force Structure, FY1980-2003 17
Table 10. Real Growth/Decline in National Defense Funding, FY1940-2007 . . 18
Table 11. National Defense Outlays as a Percentage of GNP/GDP, FY1910-2007 20
Table 12. Allocation of Federal Outlays by Budget Enforcement Act Category, FY1962-2007 24

Table 13. Allocation of Federal Outlays by Budget Enforcement Act Category, FY1962-2007 25
Table 14. Trends in Department of Defense Future-Years Defense Plans 27
Table 15. Defense Spending by Top 25 Foreign Nations 28

Defense Budget for FY2003:
Data Summary

Introduction

This report is designed to be a readily accessible source of facts and figures on the FY2003 defense budget. Part I provides basic data on the Administration's FY2003 national defense budget request, submitted on February 4, 2002. It includes data on budget authority and outlays for the Department of Defense (DOD) and for the national defense budget function (Function 050). Part II shows trends in overall defense spending, in personnel levels, and in military force structure. It includes data showing the growth and decline of defense spending over time, defense outlays as a share of total federal expenditures, and defense outlays as a share of gross domestic product. It also includes a table showing military spending by foreign nations. Part III defines key defense budget terms.

Data showing long term spending trends can be interpreted in different ways. For example, while defense outlays are at historically low levels as a percentage of total federal outlays, this trend is more a reflection of increases in federal entitlement programs – notably the escalating costs of Medicare and Social Security – than decreases in defense spending. Also, while defense outlays as a percentage of GDP are at their lowest levels since World War II, in constant dollar terms they remain comparable to average peacetime defense outlays during the Cold War.

Most of the data used in this report are taken from annual budget documents prepared by the Office of Management and Budget (OMB). These data have several features that users of this report should be aware of.

- First, figures represent the Administration's request to Congress, including requested changes in standing legislation, such as this year's request for changes in accounting for retirement benefits;

- Second, OMB sometimes adjusts figures for prior year budgets for purposes of comparison with proposed budgets; and

- Third, the data show estimates of funding in years prior to the budget year (FY2003) according to OMB conventions for "scoring" of funding, which may differ from those used by the Congressional Budget Office or the Department of Defense.

This year, all of these features of the OMB data have some quite significant effects on estimated and projected funding for defense and other parts of the budget. Major adjustments include:

(1) **Financing of benefits for military and civilian personnel on an accrual basis:** Most federal retirement benefits, including benefits for uniformed military personnel and DOD civilian personnel, have long been funded on the basis of "accrual accounting," in which the cost of future benefits for current employees is charged to the employing agency as the benefits are accrued. Under accrual accounting procedures, federal agencies pay the actuarily determined cost of future benefits into a trust fund. Payments to retirees are then charged to the fund, not to the agency. In the FY2003 and FY2004 defense budgets, three substantial adjustments involving accrual accounting have a large effect on reported budget totals. These are:

- **Accrual accounting for over-65 health care benefits for uniformed personnel:** The FY2001 Defense Authorization Act included a provision, known as "Tricare-for-Life," that guarantees DOD-provided health care to over-65 military retirees and their dependents. Beginning in FY2003, these benefits are being funded on an accrual basis. This results in (1) an increase of $8.1 billion in FY2003 in the military personnel accounts to reflect the accrual cost of future benefits for current uniformed personnel and (2) a reduction of $5.6 billion in operation and maintenance accounts to reflect a payment from the health care trust fund to DOD for providing care to over-65 retirees.

- **Accrual accounting for all civilian personnel retirement pension and health benefits:** While most federal civilian retirement benefits are funded on an accrual basis, a small part is not. Now the Administration is proposing to fund all retirement benefits on an accrual basis. In FY2003, the proposed change results in an increase of $3.3 billion (both in budget authority and in outlays) in the Department of Defense budget.

- **Accrual accounting for under-65 health care benefits for uniformed personnel:** Beginning in FY2004, the Administration is also proposing to finance health care benefits for under-65 military retirees on an accrual basis, in which, again, DOD would pay into a trust fund the cost of future benefits for current employees and would receive reimbursement from the fund for costs of under-65 retiree health care that it provides. Both the contributions to the fund and reimbursements from the fund are reflected in budget projections from FY2004 on.

(2) **Adjustment of prior year budget figures for accrual accounting:** OMB has adjusted FY2001 and FY2002 figures – though not figures for earlier years – to be comparable to the new, proposed treatment of civilian retirement and health benefits. Thus, OMB figures include $3.0 billion in FY2001 and $3.2 billion in FY2002 Department of Defense budget totals (both in budget authority and in outlays) for increased civilian retirement accrual even though this accounting procedure was not in place in those years.

(3) **Fiscal year scoring of funding provided by the Emergency Terrorism Response supplemental appropriations act:** Congress and the executive branch

sometimes count or "score" appropriations differently. This year, there are major differences in how OMB and the Congressional Budget Office (CBO) show the allocation of funds provided in the Emergency Terrorism Response supplemental appropriations measure that Congress approved on September 14, 2001. In all, Congress appropriated $40 billion for responding to the September 11 terrorist attacks, including $20 billion that was made available to agencies after the President notified Congress how the funds would be distributed and a second $20 billion that was made available only after Congress allocated the funds in a subsequent appropriations act. Of the $40 billion total, $17.5 billion was allocated to the Defense Department, of which $14.0 billion was from the first $20 billion and $3.5 billion from the second $20 billion. An additional $374 million was allocated to the Department of Energy for defense-related activities, of which $5 million came from the initial $20 billion and $369 million from the second. These amounts are part of the national defense budget function. CBO and OMB differ in allocating these funds –

- **CBO scoring conventions:** CBO scores funds by fiscal year according to the date when Congress makes funds available to the executive branch. Thus, CBO allocates all of the initial $20 billion in supplemental funding to FY2001, when the original appropriation was enacted, while it allocates all of the second $20 billion to FY2002, which is when Congress approved a subsequent appropriations measure distributing the funds among federal agencies. Under this convention, CBO shows $14.0 billion of supplemental funds in the Department of Defense budget for FY2001 and $3.5 billion in the budget for FY2002 (all in budget authority).

- **OMB scoring conventions:** OMB, however, normally allocates funds by fiscal year based on when the executive branch actually releases money to the agencies. Following that rule, OMB allocates $4.3 billion to DOD in FY2001 because the President had sent two notifications to Congress distributing that amount to DOD before the end of the fiscal year on September 30, 2001. OMB allocates the $3.5 billion that Congress provided for DOD in the second $20 billion to FY2002. OMB did not, however, include in either year's DOD budget the remaining $9.8 billion that was allocated to DOD out of the initial $20 billion in supplemental funding. Instead, OMB shows those funds in the Emergency Response Fund, a government-wide account into which the funds were initially appropriated. Although OMB released all but a small amount of the initial $20 billion before the budget was released on February 4, it does not show funds released after September 30, 2001, in agency totals.

This report relies primarily on OMB data, so the figures shown here follow OMB's scoring conventions.

CRS annually prepares a number of issue briefs and reports on specific weapon programs and other defense issues. For up-to-date lists of CRS products on defense-related issues, congressional offices should go to:
[http://www.crs.gov/products/browse/is-defense.shtml].

Selected defense-related products include:

CRS Issue Brief IB10062, *Defense Research: DOD's Research, Development, Test and Evaluation Program*, by John Dimitri Moteff.

CRS Issue Brief IB10089, *Military Pay and Benefits: Key Questions and Answers*, by Robert L. Goldich.

CRS Issue Brief IB93103, *Military Medical Care Services: Questions and Answers*, by Richard A. Best, Jr.

CRS Issue Brief IB85159, *Military Retirement: Major Legislative Issues*, by Robert L. Goldich.

CRS Report RL31111, *Missile Defense: the Current Debate*, coordinated by Steven A. Hildreth and Amy F. Woolf.

CRS Report RS20535, *Navy Ship Procurement Rate and the Planned Size of the Navy: Background and Issues for Congress*, by Ronald O'Rourke.

CRS Report RS20643, *Navy CVNX Aircraft Carrier Program: Background and Issues for Congress*, by Ronald O'Rourke.

CRS Report RS21059, *Navy DD(X) Future Surface Combatant Program: Background and Issues for Congress*, by Ronald O'Rourke.

CRS Issue Brief IB94040, *Peacekeeping: Issues of U.S. Military Involvement*, by Nina Maria Serafino.

CRS Report RL31297, *Recruiting and Retention in the Active Component Military*, by Lawrence Kapp.

CRS Issue Brief IB92115, *Tactical Aircraft Modernization: Issues for Congress*, by Christopher Bolkcom.

CRS Report RL31187, *Terrorism Funding: Congressional Debate on Emergency Supplemental Allocations*, by Amy Belasco and Larry Q. Nowels.

CRS Report RS21133, *The Nuclear Posture Review: Overview and Emerging Issues*, by Amy F. Woolf.

CRS Issue Brief IB86103, *V-22 Osprey Tilt-Rotor Aircraft*, by Christopher Bolkcom.

For an extensive discussion of the defense budget process, see CRS Report RL30002, *A Defense Budget Primer*, by Mary T. Tyszkiewicz and Stephen Daggett.

Part I: The FY2003 Defense Budget Request

The following section provides basic data on the FY2003 defense budget request. Table 1 provides data on the national defense budget function and the Department of Defense budget, including figures for budget authority and outlays in current and constant dollars and percentages of real growth. For a definition of terms, see the glossary at the end of this report.

Tables 2 and 3 show, respectively, budget authority and outlay figures for the national defense budget function broken down by appropriations title.

Table 4 shows DOD budget authority broken down by military component — i.e., the military services. Figure 1 graphically displays shares of DOD budget authority by service for the FY2003 budget request.

Table 5 shows budget authority and outlays associated with Operation Desert Shield/Desert Storm. In order to reflect accurately trends in defense funding, most of the data in this report have been adjusted to exclude costs associated with the Persian Gulf War, since that conflict was largely financed by U.S. allies. Table 5 allows the reader to compare the adjusted data published in this report with unadjusted data published elsewhere.

Table 1. National Defense Budget Function and Department of Defense Budget, FY1995-2007

(current and constant FY2003 dollars in billions)

Fiscal Year:	Actual 1995	Actual 1996	Actual 1997	Actual 1998	Actual 1999	Actual 2000	Actual 2001	Estimate 2002	Request 2003	Proj. 2004	Proj. 2005	Proj. 2006	Proj. 2007
National Defense Budget Function													
Budget Authority													
Current year dollars	266.4	266.2	270.4	271.3	292.3	304.1	329.0	350.7	396.8	405.6	426.6	447.7	469.8
Constant FY2002 dollars	324.2	317.2	315.3	309.1	325.3	329.9	346.5	358.5	396.8	396.1	406.5	416.2	426.1
Real growth/decline	-0.9%	-2.2%	-0.6%	-2.0%	+5.2%	+1.4%	+5.0%	+3.5%	+10.7%	-0.2%	+2.6%	+2.4%	+2.4%
Outlays													
Current year dollars	271.0	265.2	270.4	268.4	274.9	294.5	308.5	348.0	379.0	393.8	413.5	428.5	442.5
Constant FY2003 dollars	329.1	315.5	313.8	304.8	306.3	319.5	324.9	355.2	379.0	384.5	394.2	398.4	401.1
Real growth/decline	-4.5%	-4.1%	-0.5%	-2.9%	+0.5%	+4.3%	+1.7%	+9.3%	+6.7%	+1.5%	+2.5%	+1.1%	+0.7%
Department of Defense													
Budget Authority													
Current year dollars	255.7	254.6	258.0	258.6	278.6	290.5	313.0	333.0	378.6	387.4	408.3	429.2	450.9
Constant FY2003 dollars	311.3	303.3	300.8	294.6	310.0	315.1	329.6	340.4	378.6	378.3	389.0	398.9	409.0
Real growth/decline	-0.3%	-2.5%	-0.8%	-2.1%	+5.2%	+1.7%	+4.6%	+3.3%	+11.2%	-0.1%	+2.8%	+2.5%	+2.5%
Outlays													
Current year dollars	258.4	252.7	258.2	256.1	261.4	281.2	294.0	330.6	361.0	375.6	395.2	410.2	423.9
Constant FY2003 dollars	313.7	300.5	299.6	290.8	291.2	305.1	309.6	337.4	361.0	366.7	376.7	381.3	384.2
Real growth/decline	-4.4%	-4.2%	-0.3%	-2.9%	+0.2%	+4.8%	+1.5%	+9.0%	+7.0%	+1.6%	+2.7%	+1.2%	+0.8%

Sources: U.S. Office of Management and Budget, *Historical Tables: Budget of the United States Government, Fiscal Year 2003* , February 2002. Deflators and data on Desert Shield/Desert Storm budget authority and outlays from DOD Comptroller.

Notes: Figures exclude Operation Desert Shield/Desert Storm costs and receipts, which affects outlay amounts from FY1995-1998. This and other tables in this report use OMB data which reflect enacted and proposed changes in accounting for retirement benefits. Figures reflect (1) enacted accrual accounting for health care benefits for over-65 military retirees beginning in FY2003; (2) proposed accrual accounting for health care benefits for under-65 military retirees beginning in FY2004; and (3) proposed accrual accounting for all civilian retirement pension and health benefits beginning in FY2003. Data in these tables also reflect OMB scoring of funds provided in the Emergency Terrorism Response supplemental appropriations act approved in September 2001. For an explanation of the impact of accrual accounting and of budget scoring conventions, see the Introduction, above.

Table 2. National Defense Budget Function by Appropriations Title, Budget Authority, FY1995-2007

(current year dollars in billions)

Fiscal Year:	Actual 1995	Actual 1996	Actual 1997	Actual 1998	Actual 1999	Actual 2000	Actual 2001	Estimate 2002	Request 2003	Proj. 2004	Proj. 2005	Proj. 2006	Proj. 2007
Department of Defense (military activities only)													
Military Personnel	71.6	69.8	70.3	69.8	70.6	73.8	76.9	82.0	94.3	104.0	108.1	113.7	117.4
Operation & Maintenance	93.8	93.7	92.4	97.2	105.0	108.8	117.7	129.8	150.4	140.9	147.0	152.3	155.2
Procurement	43.6	42.6	43.0	44.8	51.1	55.0	62.6	61.1	68.7	74.7	79.2	86.9	99.0
RDT&E	34.5	35.0	36.4	37.1	38.3	38.7	41.7	48.6	53.9	57.0	60.7	58.9	58.0
Military Construction	5.4	6.9	5.7	5.5	5.4	5.1	5.5	6.6	4.8	5.1	6.3	10.8	13.8
Family Housing	3.4	4.3	4.1	3.8	3.6	3.5	3.7	4.1	4.2	4.3	5.1	4.9	4.8
Other	3.4	2.4	6.1	0.3	4.6	5.6	4.9	0.9	2.3	1.4	1.9	1.5	2.7
Subtotal, Department of Defense	255.7	254.6	258.0	258.6	278.6	290.5	313.0	333.0	378.6	387.4	408.3	429.2	450.9
Department of Energy													
Atomic Energy Defense Activities	10.1	10.7	11.4	11.7	12.6	12.4	14.4	16.0	16.5	16.5	16.6	16.8	17.1
Other Agencies													
Defense-Related Activities	0.6	0.9	1.0	1.0	1.1	1.2	1.6	1.7	1.7	1.7	1.7	1.7	1.7
Total, National Defense	266.4	266.2	270.4	271.3	292.3	304.1	329.0	350.7	396.8	405.6	426.6	447.7	469.8

Sources: U.S. Office of Management and Budget, *Historical Tables: Budget of the United States Government, Fiscal Year 2003*, February 2002; except Title level detail for FY2004-2007 from Office of Management and Budget, *Analytical Perspectives: Budget of the United States Government, Fiscal Year 2003*, February 2002.

Notes: This and other tables in this report use OMB data which reflect enacted and proposed changes in accounting for retirement benefits. Figures reflect (1) enacted accrual accounting for health care benefits for over-65 military retirees beginning in FY2003; (2) proposed accrual accounting for health care benefits for under-65 military retirees beginning in FY2004; and (3) proposed accrual accounting for all civilian retirement pension and health benefits beginning in FY2003. Data in these tables also reflect OMB scoring of funds provided in the Emergency Terrorism Response supplemental appropriations act approved in September 2001. For an explanation of the impact of accrual accounting and of budget scoring conventions, see the Introduction, above.

Table 3. National Defense Budget Function by Appropriations Title, Outlays, FY1995-2007

(current year dollars in billions)

Fiscal Year:	Actual 1995	Actual 1996	Actual 1997	Actual 1998	Actual 1999	Actual 2000	Actual 2001	Estimate 2002	Request 2003	Proj. 2004	Proj. 2005	Proj. 2006	Proj. 2007
Department of Defense (military activities only)													
Military Personnel	70.8	66.7	69.7	69.0	69.5	76.0	74.0	81.2	92.8	102.1	107.1	112.8	116.6
Operation & Maintenance	90.9	88.7	92.4	93.5	96.4	105.9	114.0	133.6	143.5	146.2	147.0	146.8	147.9
Procurement	54.3	48.5	47.6	48.2	48.8	51.7	55.0	59.6	62.3	65.3	75.0	81.8	87.6
RDT&E	34.6	36.5	37.0	37.4	37.4	37.6	40.6	45.1	50.8	52.3	56.2	57.6	57.4
Military Construction	6.8	6.7	6.2	6.0	5.5	5.1	5.0	5.7	6.0	4.7	4.5	5.5	7.8
Family Housing	3.6	3.8	4.0	3.9	3.7	3.4	3.5	3.8	3.9	3.9	4.0	4.4	4.4
Other	-2.6	1.8	1.2	-1.9	0.1	1.6	1.9	1.7	1.7	1.1	1.3	1.4	2.1
Subtotal, DOD	258.4	252.7	258.2	256.1	261.4	281.2	294.0	330.6	361.0	375.6	395.2	410.2	423.9
Department of Energy													
Atomic Energy Defense Activities	11.8	11.6	11.3	11.3	12.4	12.2	13.0	15.9	16.3	16.5	16.6	16.7	16.9
Other Agencies													
Defense-Related Activities	0.8	0.9	0.9	1.1	1.1	1.1	1.5	1.6	1.7	1.7	1.7	1.7	1.7
Total, National Defense	271.0	265.2	270.4	268.4	274.9	294.5	308.5	348.0	379.0	393.8	413.5	428.5	442.5

Sources: U.S. Office of Management and Budget, *Historical Tables: Budget of the United States Government, Fiscal Year 2003*, February 2002; except Title level detail for FY2004-2007 from Office of Management and Budget, *Analytical Perspectives: Budget of the United States Government, Fiscal Year 2003*, February 2002. Deflators and data on Desert Shield/Desert Storm outlays from DOD Comptroller.

Notes: Figures exclude Operation Desert Shield/Desert Storm costs and receipts, which affects data from FY1995-1998. This and other tables in this report use OMB data which reflect enacted and proposed changes in accounting for retirement benefits. Figures reflect (1) enacted accrual accounting for health care benefits for over-65 military retirees beginning in FY2003; (2) proposed accrual accounting for health care benefits for under-65 military retirees beginning in FY2004; and (3) proposed accrual accounting for all civilian retirement pension and health benefits beginning in FY2003. Data in these tables also reflect OMB scoring of funds provided in the Emergency Terrorism Response supplemental appropriations act approved in September 2001. For an explanation of the impact of accrual accounting and of budget scoring conventions, see the Introduction, above.

Table 4. Department of Defense Budget Authority by Service, FY1994-2003

(current year dollars in billions)

Fiscal Year:	Actual 1995	Actual 1996	Actual 1997	Actual 1998	Actual 1999	Actual 2000	Actual 2001	Est. 2002	Proj. 2003
Army	63.3	64.5	64.4	64.0	68.4	73.2	77.0	80.8	90.8
% of DOD Total	24.8%	25.4%	25.0%	24.8%	24.5%	25.2%	24.9%	24.5%	24.0%
Navy/Marine Corps	76.9	80.0	79.5	80.7	84.0	88.8	95.5	98.6	108.2
% of DOD Total	30.1%	31.4%	30.8%	31.2%	30.2%	30.6%	30.8%	29.9%	28.6%
Air Force	73.9	73.0	73.2	76.3	81.9	83.1	89.5	94.2	106.9
% of DOD Total	28.9%	28.7%	28.4%	29.5%	29.4%	28.6%	28.9%	28.6%	28.2%
Defense Wide	41.6	37.0	40.8	37.6	44.3	45.5	47.9	56.2	72.7
% of DOD Total	16.3%	14.5%	15.8%	14.5%	15.9%	15.7%	15.4%	17.0%	19.2%
DOD Total	255.7	254.4	258.0	258.6	278.6	290.5	309.9	329.9	378.6

Source: Department of Defense Comptroller, *National Defense Budget Estimates for FY2003*, March 2002.

Notes: Totals may not add due to rounding. Total is discretionary DOD budget authority. FY2002 and FY2003 Defense-Wide amounts include Defense Emergency Response Fund.

Figure 1: DOD Budget Authority by Service, FY2003 Request

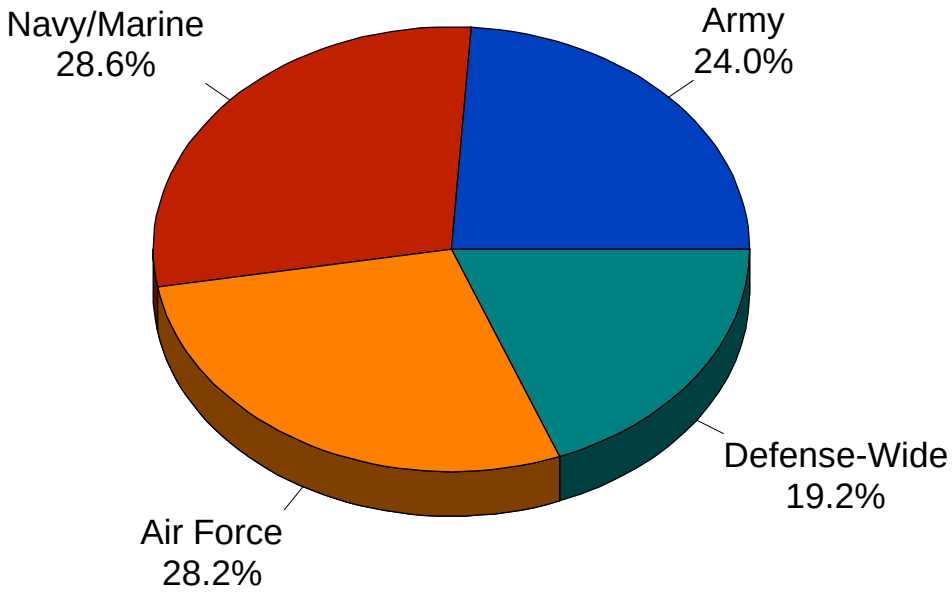

Table 5. Operation Desert Shield/Desert Storm Budget Authority and Outlays

(current year dollars in millions)

	FY1990	FY1991	FY1992	FY1993	FY1994	FY1995	FY1996	FY1997	FY1998	Total
Budget Authority										
Military Personnel	281	5,824	2,409	–	–	–	–	–	–	8,514
Operations & Maintenance	1,328	24,366	8,132	–	–	–	–	–	–	33,826
Procurement	10	5,278	1,950	–	–	–	–	–	–	7,238
Research, Development, Test, & Evaluation	9	69	106	–	–	–	–	–	–	184
Military Construction	–	35	–	–	–	–	–	–	–	35
Family Housing	–	–	–	–	–	–	–	–	–	0
Stock Funds	400	271	–	–	–	–	–	–	–	671
Allied Cash Contributions	–	-43,154	-5,240	–	–	–	–	–	–	-48,394
Total Budget Authority	**2,028**	**-7,311**	**7,357**	–	–	–	–	–	–	**2,074**
Outlays										
Military Personnel	267	5,382	2,734	114	–	–	–	–	–	8,497
Operations & Maintenance	1,033	16,212	11,152	3,974	1,142	147	51	21	4	33,736
Procurement	1	-152	2,154	2,619	1,369	729	378	44	17	7,159
Research, Development, Test, & Evaluation	5	40	76	45	11	4	1	–	–	182
Military Construction	–	10	13	7	2	2	1	–	–	35
Family Housing	–	–	–	–	–	–	–	–	–	0
Stock Funds	156	-1,778	1,348	429	259	166	79	11	–	670
Allied Cash Contributions	–	-43,154	-5,240	–	–	–	–	–	–	-48,394
Total Outlays	**1,462**	**-23,440**	**12,237**	**7,188**	**2,783**	**1,048**	**510**	**76**	**21**	**1,885**

Source: Department of Defense Comptroller.

Notes: Totals may not add due to rounding. Totals in this table represent only cash outlays and receipts. DOD estimates that the total cost of Operation Desert Shield/Desert Storm was $61.1 billion, including activities supported through allied in-kind assistance and material losses not replaced.

Part II: Trends in Defense Spending

Part II provides data on trends in the defense budget that may be of particular interest to Congress. In assessing trends, current levels of spending are often compared to the peak levels reached during the defense buildup of the 1980s. FY1985 was the peak year in budget authority for national defense, FY1987 was the peak in the number of military personnel, and FY1989 was the peak in outlays.

Table 6 shows budget authority by appropriations title for selected years for the period FY1976 through FY2007 in inflation-adjusted dollars and calculates cumulative real growth or decline over the selected parts of that period. Figure 2 graphically shows trends in budget authority by title from FY1985 to FY2007.

Table 7 shows the trend in personnel levels for active duty forces, reserve forces, and DOD civilians for FY1981 and selected years thereafter. Figure 3 illustrates the trend in active duty military personnel levels. Table 8 and Figure 4 show total active duty end-strength levels from FY1950-2003.

Table 9 shows the trend in major elements of force structure (Army and Marine Corps divisions, Air Force tactical air wings, and Navy ships) for FY1980-2003.

Table 10 shows the trend in total national defense budget authority and outlays in current and constant FY2003 dollars from FY1940 to FY2007.

Table 11 tracks national defense outlays as a share of gross national product (GNP) and gross domestic product (GDP) from FY1910 to FY2007.

Figure 5 illustrates the trend in national defense outlays in constant FY2003 dollars from FY1910 to FY2007.

Figure 6 illustrates trends in national defense budget authority and outlays in constant FY2003 dollars from FY1947 to FY2007.

Figures 7 and 8 illustrate trends in national defense outlays as a percentage of GNP/GDP from FY1910 to FY2007 and as a percentage of GDP from FY1947 to FY2007.

Table 12 shows the allocation of outlays by budget enforcement act category in the federal budget in current year dollars, and Table 13 and Figure 9 show the same data as percentages of total federal outlays. Figure 10 shows the allocation of federal outlays in constant FY2003 dollars.

Table 14 follows the trend in DOD five- and six-year defense plans since 1987.

Finally, Table 15 shows defense spending of the top 25 foreign nations.

Table 6. National Defense Budget Authority Trends by Appropriations Title, FY1976-2007

(constant FY2003 dollars in billions)

Fiscal Year	Actual 1976	Actual 1980	Actual 1985	Actual 1990	Actual 1991	Actual 1992	Actual 1993	Actual 1994	Actual 1995	Actual 1996	Actual 1997	Actual 1998	Actual 1999
Military Personnel	117.9	111.3	123.4	123.2	117.9	114.8	105.8	96.9	94.9	90.5	88.6	84.8	83.2
Operation and Maintenance	85.3	94.4	126.9	121.5	120.2	110.5	113.8	110.2	114.3	111.6	107.9	110.5	116.7
Procurement	61.0	69.7	144.0	101.8	81.4	72.5	61.4	50.4	49.0	47.1	47.0	48.5	54.5
RDT&E	26.7	26.7	47.8	46.7	45.0	44.0	44.7	40.1	39.3	39.0	40.0	40.3	41.1
Military Construction	6.2	4.3	8.4	6.5	6.4	6.3	5.4	6.9	6.2	7.7	6.3	6.0	5.8
Family Housing	3.6	3.0	4.3	4.0	4.1	4.5	4.6	4.0	3.8	4.7	4.5	4.1	3.8
Other	-0.5	1.1	7.0	-1.0	1.5	4.6	3.5	3.6	3.8	2.7	6.6	0.4	4.8
Subtotal, Department of Defense	300.2	310.6	461.7	402.6	376.5	357.2	339.2	312.2	311.3	303.3	300.8	294.6	310.0
Dept. of Energy Defense-Related	5.3	6.6	11.8	13.4	15.4	15.6	15.3	13.5	12.3	12.7	13.2	13.3	14.0
Other Defense-Related	0.5	0.5	0.8	0.8	1.5	1.3	2.3	1.3	0.7	1.1	1.2	1.2	1.3
Total, National Defense	306.0	317.6	474.3	416.8	393.3	374.0	356.8	327.0	324.2	317.2	315.3	309.1	325.3

Table 6. – continued

(constant FY2003 dollars in billions)

Fiscal Year	Actual 2000	Actual 2001	Est. 2002	Proj. 2003	Proj. 2004	Proj. 2005	Proj. 2006	Proj. 2007	Real Growth/ Decline FY76-85	Real Growth/ Decline FY85-90	Real Growth/ Decline FY90-98	Real Growth/ Decline FY98-03
Military Personnel	83.2	83.9	84.8	94.3	100.9	101.7	103.7	103.9	+5%	0%	-31%	+11%
Operation and Maintenance	118.5	123.3	132.4	150.4	137.4	139.7	141.0	139.8	+49%	-4%	-9%	+36%
Procurement	57.7	64.7	62.1	68.7	73.4	76.4	82.2	91.9	+136%	-29%	-52%	+42%
RDT&E	40.8	43.2	49.3	53.9	56.0	58.5	55.6	53.7	+79%	-2%	-14%	+34%
Military Construction	5.4	5.7	6.7	4.8	5.0	6.1	10.2	12.7	+36%	-23%	-8%	-20%
Family Housing	3.7	3.8	4.1	4.2	4.2	4.9	4.6	4.5	+20%	-7%	+3%	+2%
Other	5.8	5.0	0.9	2.3	1.3	1.8	1.5	2.5	NA	NA	NA	NA
Subtotal, Department of Defense	315.1	329.6	340.4	378.6	378.3	389.0	398.9	409.0	+54%	-13%	-27%	+29%
Dept. of Energy Defense-Related	13.5	15.2	16.4	16.5	16.1	15.8	15.7	15.5	+123%	+13%	-0%	+23%
Other Defense-Related	1.3	1.7	1.8	1.7	1.7	1.6	1.6	1.6	+76%	+4%	+37%	+49%
Total, National Defense	329.9	346.5	358.5	396.8	396.1	406.5	416.2	426.1	+55%	-12%	-26%	+28%

Sources: U.S. Office of Management and Budget, *Historical Tables: Budget of the United States Government, Fiscal Year 2003*, February 2002; except Title level figures for FY2004-2007 from Office of Management and Budget, *Analytical Perspectives: Budget of the United States Government, Fiscal Year 2003*, February 2002. Deflators and data on Desert Shield/Desert Storm costs and receipts from DOD Comptroller.

Notes: Data for FY1990-92 exclude Desert Shield/Desert Storm costs and receipts (see **Table 5**, above). Totals may not add due to rounding. This and other tables in this report use OMB data which reflect enacted and proposed changes in accounting for retirement benefits. Figures reflect (1) enacted accrual accounting for health care benefits for over-65 military retirees beginning in FY2003; (2) proposed accrual accounting for health care benefits for under-65 military retirees beginning in FY2004; and (3) proposed accrual accounting for all civilian retirement pension and health benefits beginning in FY2003. Data in these tables also reflect OMB scoring of funds provided in the Emergency Terrorism Response supplemental appropriations act approved in September 2001. For an explanation of the impact of accrual accounting and of budget scoring conventions, see the Introduction, above.

Figure 2: DOD Budget Authority by Title, FY1985-2007

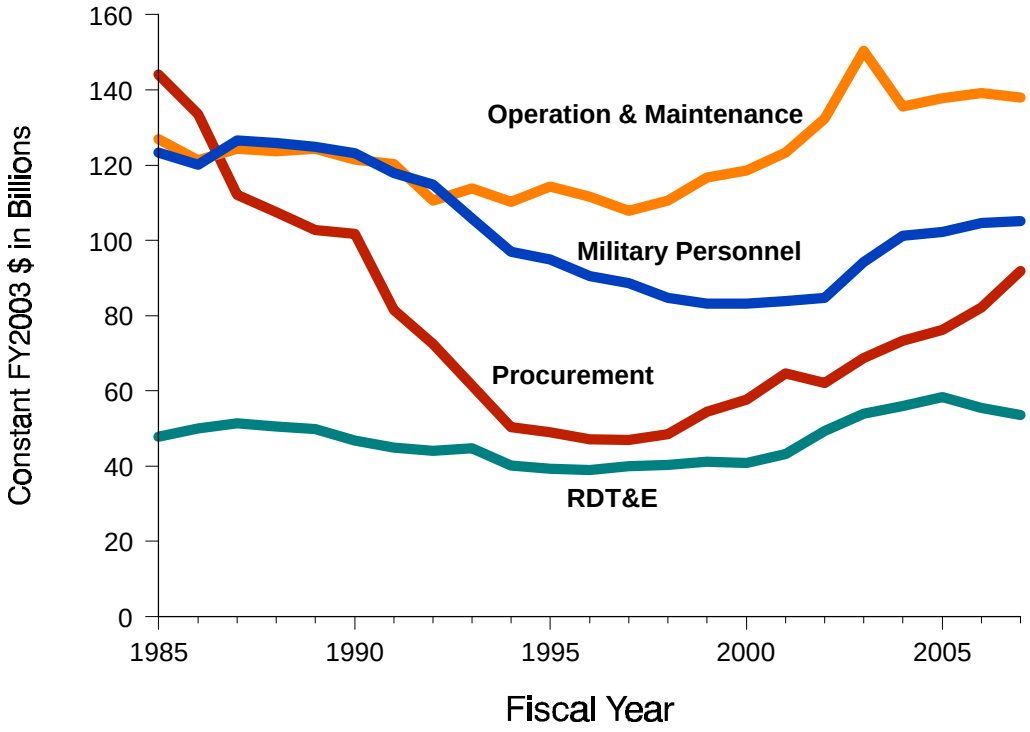

Figure 3: Active Duty End-Strength by Service, Selected Years, FY1987-2003

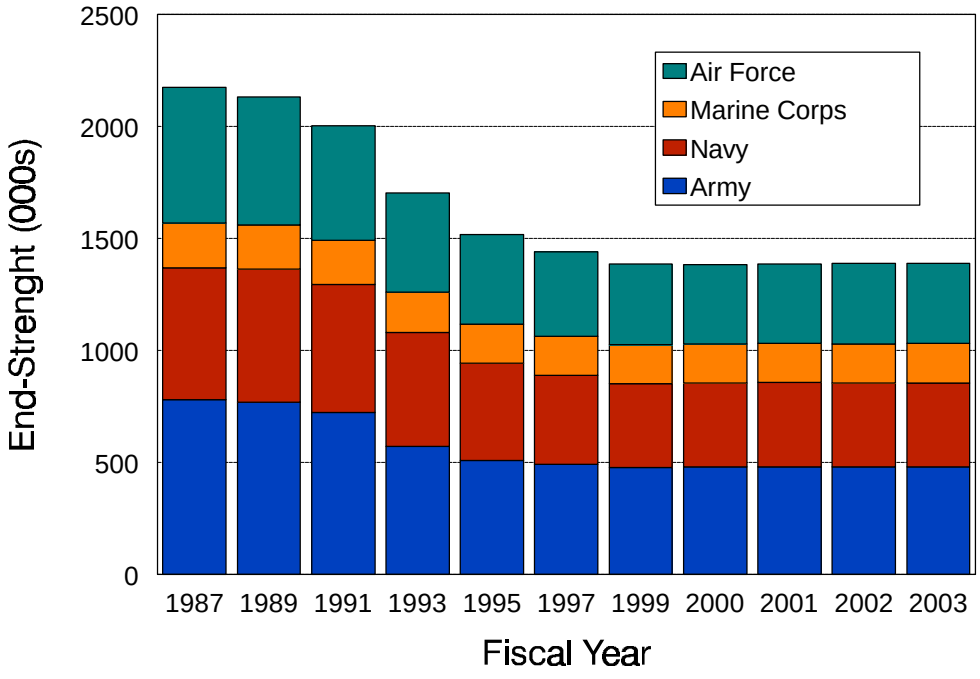

Table 7. Department of Defense Personnel Levels, Selected Years

(end strength/ full-time equivalents in thousands)

	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Est.	Proj.
Fiscal Year:	**1981**	**1985**	**1987**	**1989**	**1991**	**1993**	**1995**	**1997**	**1999**	**2000**	**2001**	**2002**	**2003**
Army	781	781	781	770	725	572	509	492	479	482	481	480	480
Navy	540	571	587	593	571	510	435	396	373	373	378	376	376
Marine Corps	191	198	200	197	195	178	174	174	173	173	173	173	175
Air Force	570	602	607	571	511	444	400	378	361	356	354	359	359
Total Active	**2,082**	**2,151**	**2,174**	**2,130**	**2,002**	**1,705**	**1,518**	**1,440**	**1,386**	**1,384**	**1,385**	**1,387**	**1,390**
Selected Reserves	**851**	**1,188**	**1,151**	**1,171**	**1,138**	**1,058**	**946**	**902**	**877**	**865**	**869**	**864**	**865**
Total Civilians (FTEs)	**947**	**1,029**	**1,032**	**1,023**	**969**	**932**	**822**	**746**	**681**	**660**	**650**	**635**	**627**

Sources: Active and reserve force levels for FY2001-FY2003 from Office of Management and Budget, *Budget of the United States Government for FY2003: Appendix*, February 2002; active duty force levels for prior years from Department of Defense, Undersecretary of Defense Comptroller, *National Defense Budget Estimate for FY2002*, August 2001; reserve force levels for prior years from U.S. Department of Defense, *Manpower Requirements Report, FY1998*, July 1998 and prior years and from Office of Management and Budget, *Budget of the United States Government for FY2002: Appendix*, April 2001 and prior years; civilian FTE levels from Office of Management and Budget, *Historical Tables: Budget of the United States Government for FY2003*, February 2002.

Notes: Figures reflect end-strength for active and reserve forces and full time equivalent (FTE) employment levels for civilians. End-strength represents force levels at the end of each fiscal year. Selected reserves do not include Standby Reserve, Individual Ready Reserve, and Inactive National Guard. Totals may not add due to rounding. Active duty totals do not include full time Guard and Reserve.

Table 8. Department of Defense Active Duty Personnel Levels, FY1950-2003

(end-strength in thousands)

1950	1,459	1964	2,688	1978	2,061	1992	1,808
1951	3,249	1965	2,656	1979	2,024	1993	1,705
1952	3,636	1966	3,094	1980	2,050	1994	1,610
1953	3,555	1967	3,377	1981	2,082	1995	1,518
1954	3,302	1968	3,548	1982	2,108	1996	1,472
1955	2,935	1969	3,460	1983	2,123	1997	1,440
1956	2,806	1970	3,065	1984	2,138	1998	1,406
1957	2,795	1971	2,714	1985	2,151	1999	1,386
1958	2,600	1972	2,322	1986	2,169	2000	1,384
1959	2,504	1973	2,252	1987	2,174	2001	1,385
1960	2,475	1974	2,161	1988	2,138	2002	1,387
1961	2,483	1975	2,127	1989	2,130	2003	1,390
1962	2,808	1976	2,081	1990	2,069		
1963	2,700	1977	2,073	1991	2,002		

Sources: FY2001-FY2003 from Office of Management and Budget, *Budget of the United States Government for FY2003: Appendix*, February 2002; FY1950-2000 from Under Secretary of Defense Comptroller, *National Defense Budget Estimates for FY2002*, June 2001.

Figure 4: Active Duty End-Strength, FY1950-2003

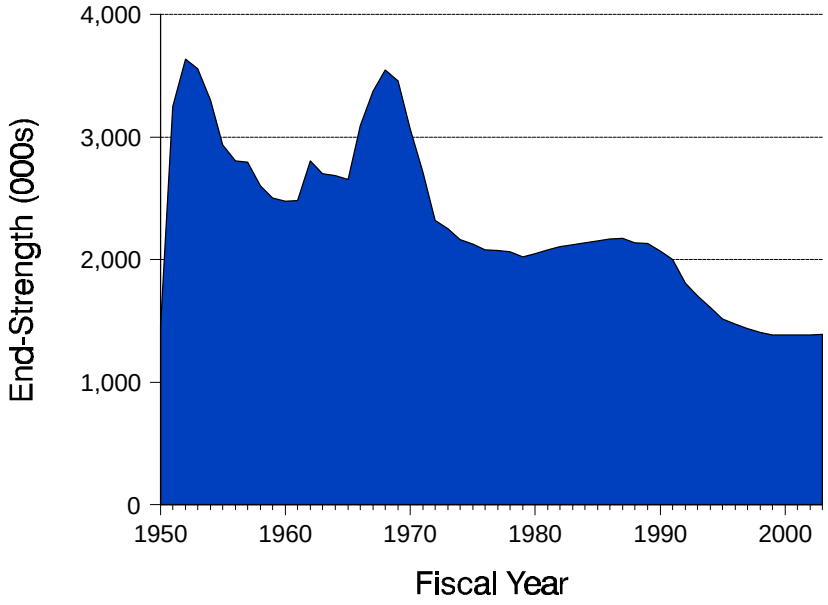

Table 9. U.S. Military Force Structure, FY1980-2003

Fiscal Year	Army Divisions		Marine Divisions		Naval Forces		Air Force Tactical Wings[a]	
	Active	Reserve	Active	Reserve	Carriers[b]	Total Ships	Active	Reserve
1980	16	8	3	1	13	477	26	11
1981	16	8	3	1	13	491	26	11
1982	16	8	3	1	14	513	26	12
1983	16	8	3	1	14	514	25	12
1984	16	9	3	1	14	524	25	12
1985	17	10	3	1	14	542	25	12
1986	18	10	3	1	14	556	25	12
1987	18	10	3	1	15	569	25	12
1988	18	10	3	1	15	566	25	12
1989	18	10	3	1	15	567	25	12
1990	18	10	3	1	15	546	24	12
1991	16	10	3	1	15	526	22	13
1992	14	10	3	1	14	466	16	13
1993	14	10	3	1	13	434	16	11
1994	12	8	3	1	12	387	13	9
1995	12	8	3	1	11+1	373	13	8
1996	10	8	3	1	11+1	365	13	7
1997	10	8	3	1	11+1	357	13	7
1998	10	8	3	1	11+1	333	13	7
1999	10	8	3	1	11+1	317	13	7.2
2000	10	8	3	1	11+1	316	13	7.6
2001	10	8	3	1	11+1	316	12.6	7.6
2002	10	8	3	1	11+1	315	12+	7+
2003	10	8	3	1	11+1	308	12+	7+

Sources: U.S. Navy, *Highlights of the Department of the Navy FY2003 Budget*, February 2002; U.S. Department of Defense, briefing materials accompanying the FY2002 budget request (mimeo), June 2001 and similar materials provided in prior years. U.S. Library of Congress, Congressional Research Service, *U.S./Soviet Military Balance: Statistical Trends, 1980-1989*, CRS Report 90-401 RCO, by John M. Collins and Dianne E. Rennack, Aug. 6, 1990. U.S. Library of Congress, Congressional Research Service, *U.S. Armed Forces: Statistical Trends, 1985-1990*, CRS Report 91-672 RCO, by John M. Collins and Dianne E. Rennack, Sep. 6. 1991. U.S. Department of the Navy (Program Information Center), Listing of U.S. Naval Ship Battle Forces as of 30 September 1993, Washington 1993 and previous editions.

Notes: Figures for FY2002 and FY2003 are Administration projections.
a. Air Force figures do not include a wing of F-117 aircraft prior to FY1990.
b. Carrier figures exclude one auxiliary training carrier for FY1980-92 but include one operational reserve training carrier (shown as "+1") since FY1995.

Table 10. Real Growth/Decline in National Defense Funding, FY1940-2007

(current and constant FY2003 dollars in billions)

Fiscal Year	Budget Authority			Outlays		
	Current Dollars	Constant FY2003 Dollars	Real Growth/ Decline	Current Dollars	Constant FY2003 Dollars	Real Growth/ Decline
1940	–	–	–	1.7	26.2	–
1941	–	–	–	6.4	97.0	+269.8%
1942	–	–	–	25.7	352.8	+263.6%
1943	–	–	–	66.7	844.3	+139.3%
1944	–	–	–	79.1	1,031.9	+22.2%
1945	39.2	612.9	–	83.0	1,118.3	+8.4%
1946	44.0	558.1	-8.9%	42.7	574.2	-48.7%
1947	9.0	115.5	-79.3%	12.8	157.3	-72.6%
1948	9.5	108.8	-5.8%	9.1	107.7	-31.5%
1949	10.9	127.8	+17.5%	13.2	149.1	+38.4%
1950	16.5	175.8	+37.5%	13.7	154.6	+3.7%
1951	57.8	470.5	+167.7%	23.6	237.6	+53.7%
1952	67.5	570.4	+21.2%	46.1	423.7	+78.3%
1953	56.9	497.0	-12.9%	52.8	469.9	+10.9%
1954	38.7	361.2	-27.3%	49.3	447.0	-4.9%
1955	32.9	306.8	-15.1%	42.7	385.3	-13.8%
1956	35.0	306.4	-0.1%	42.5	364.1	-5.5%
1957	39.4	329.4	+7.5%	45.4	368.9	+1.3%
1958	40.1	318.5	-3.3%	46.8	360.4	-2.3%
1959	45.1	335.7	+5.4%	49.0	360.2	0.0%
1960	44.3	324.8	-3.2%	48.1	353.1	-2.0%
1961	45.1	328.2	+1.0%	49.6	352.5	-0.2%
1962	50.2	359.1	+9.4%	52.3	372.8	+5.8%
1963	52.1	364.9	+1.6%	53.4	377.1	+1.2%
1964	51.6	348.4	-4.5%	54.8	373.3	-1.0%
1965	50.6	333.5	-4.3%	50.6	341.6	-8.5%
1966	64.4	387.7	+16.3%	58.1	365.2	+6.9%
1967	73.1	423.1	+9.1%	71.4	422.1	+15.6%
1968	77.2	430.5	+1.7%	81.9	460.0	+9.0%
1969	78.5	420.5	-2.3%	82.5	448.6	-2.5%
1970	75.3	380.9	-9.4%	81.7	416.2	-7.2%
1971	72.7	347.4	-8.8%	78.9	379.6	-8.8%
1972	76.4	333.8	-3.9%	79.2	351.9	-7.3%
1973	79.1	318.8	-4.5%	76.7	320.8	-8.8%
1974	81.5	302.4	-5.2%	79.3	307.2	-4.3%
1975	86.2	292.1	-3.4%	86.5	300.1	-2.3%
1976	97.3	306.1	+4.8%	89.6	290.6	-3.2%
1977	110.2	318.3	+4.0%	97.2	293.0	+0.8%
1978	117.2	313.9	-1.4%	104.5	293.3	+0.1%
1979	126.5	312.3	-0.5%	116.3	302.4	+3.1%
1980	143.9	317.8	+1.7%	134.0	310.2	+2.6%
1981	180.0	354.7	+11.6%	157.5	324.5	+4.6%
1982	216.5	393.3	+10.9%	185.3	347.0	+6.9%
1983	245.0	425.5	+8.2%	209.9	374.8	+8.0%
1984	265.2	445.0	+4.6%	227.4	390.0	+4.1%
1985	294.7	474.3	+6.6%	252.7	414.5	+6.3%
1986	289.1	455.6	-4.0%	273.4	436.0	+5.2%

Fiscal Year	Budget Authority			Outlays		
	Current Dollars	Constant FY2003 Dollars	Real Growth/ Decline	Current Dollars	Constant FY2003 Dollars	Real Growth/ Decline
1987	287.4	440.9	-3.2%	282.0	437.4	+0.3%
1988	292.0	432.2	-2.0%	290.4	435.8	-0.4%
1989	299.6	426.7	-1.3%	303.6	437.1	+0.3%
1990	301.2	416.8	-2.3%	297.9	416.8	-4.6%
1991	296.2	393.3	-5.6%	296.7	397.9	-4.5%
1992	287.7	374.0	-4.9%	286.1	372.3	-6.5%
1993	281.1	356.8	-4.6%	283.9	359.0	-3.5%
1994	263.3	327.0	-8.3%	278.9	344.4	-4.1%
1995	266.4	324.2	-0.9%	271.0	329.1	-4.5%
1996	266.2	317.2	-2.2%	265.2	315.5	-4.1%
1997	270.4	315.3	-0.6%	270.4	313.8	-0.5%
1998	271.3	309.1	-2.0%	268.4	304.8	-2.9%
1999	292.3	325.3	+5.2%	274.9	306.3	+0.5%
2000	304.1	329.9	+1.4%	294.5	319.5	+4.3%
2001	329.0	346.5	+5.0%	308.5	324.9	+1.7%
2002	350.7	358.5	+3.5%	348.0	355.2	+9.3%
2003	396.8	396.8	+10.7%	379.0	379.0	+6.7%
2004	405.6	396.1	-0.2%	393.8	384.5	+1.5%
2005	426.6	406.5	+2.6%	413.5	394.2	+2.5%
2006	447.7	416.2	+2.4%	428.5	398.4	+1.1%
2007	469.8	427.5	+2.4%	442.5	401.1	+0.7%

Sources: Current dollar FY1940-1975 budget authority figures from Department of Defense Comptroller, *National Defense Budget Estimates for FY1982*, March 1983; all other current dollar figures from U.S. Office of Management and Budget, *Historical Tables: Budget of the United States Government, Fiscal Year 2003*, February 2002; constant dollar figures calculated by CRS using deflators from Department of Defense Comptroller; figures on Desert Shield/Desert Storm costs and receipts from Department of Defense Comptroller.

Notes: This and other tables in this report use OMB data which reflect enacted and proposed changes in accounting for retirement benefits. Figures reflect (1) enacted accrual accounting for health care benefits for over-65 military retirees beginning in FY2003; (2) proposed accrual accounting for health care benefits for under-65 military retirees beginning in FY2004; and (3) proposed accrual accounting for all civilian retirement benefits beginning in FY2003. Data in these tables also reflect OMB scoring of funds provided in the Emergency Terrorism Response supplemental appropriations act approved in September 2001. For an explanation of the impact of accrual accounting and of budget scoring conventions, see the Introduction, above. Figures for FY1990 and beyond exclude costs and receipts of Operation Desert Shield/Desert Storm. Figures prior to FY1976 are from DOD data that have not been revised to reflect accrual accounting for military retirement in years prior to its adoption in FY1985. Figures from FY1976 on have been revised by OMB to reflect accrual accounting.

Table 11. National Defense Outlays as a Percentage of GNP/GDP, FY1910-2007

(current year dollars in billions)

Fiscal Year	National Defense Outlays	GNP/ GDP	Outlays as % of GNP/GDP	Fiscal Year	National Defense Outlays	GNP/ GDP	Outlays as % of GNP/GDP
1910	0.3	35.3	0.8%	1945	83.0	221.3	37.5%
1911	0.3	35.8	0.8%	1946	42.7	222.7	19.2%
1912	0.3	39.4	0.7%	1947	12.8	234.6	5.5%
1913	0.3	39.6	0.7%	1948	9.1	256.4	3.6%
1914	0.3	38.6	0.8%	1949	13.2	271.5	4.8%
1915	0.3	40.0	0.7%	1950	13.7	273.4	5.0%
1916	0.3	48.3	0.6%	1951	23.6	321.0	7.3%
1917	0.6	60.4	1.0%	1952	46.1	348.8	13.2%
1918	7.1	76.4	9.3%	1953	52.8	373.4	14.1%
1919	13.5	84.0	16.1%	1954	49.3	378.0	13.0%
1920	4.0	91.5	4.4%	1955	42.7	395.2	10.8%
1921	2.6	69.6	3.7%	1956	42.5	427.7	9.9%
1922	0.9	74.1	1.3%	1957	45.4	450.7	10.1%
1923	0.7	85.1	0.8%	1958	46.8	461.1	10.2%
1924	0.6	84.7	0.8%	1959	49.0	492.1	10.0%
1925	0.6	93.1	0.6%	1960	48.1	518.9	9.3%
1926	0.6	97.0	0.6%	1961	49.6	531.8	9.3%
1927	0.6	94.9	0.6%	1962	52.3	568.5	9.2%
1928	0.7	97.0	0.7%	1963	53.4	599.7	8.9%
1929	0.7	103.1	0.7%	1964	54.8	641.3	8.5%
1930	0.7	97.4	0.8%	1965	50.6	687.9	7.4%
1931	0.7	83.7	0.9%	1966	58.1	754.2	7.7%
1932	0.7	67.5	1.0%	1967	71.4	813.5	8.8%
1933	0.6	57.4	1.1%	1968	81.9	868.4	9.4%
1934	0.5	61.2	0.9%	1969	82.5	949.2	8.7%
1935	0.7	69.7	1.0%	1970	81.7	1,013.2	8.1%
1936	0.9	78.5	1.2%	1971	78.9	1,081.4	7.3%
1937	0.9	87.8	1.1%	1972	79.2	1,181.5	6.7%
1938	1.0	89.0	1.2%	1973	76.7	1,308.1	5.9%
1939	1.1	89.0	1.2%	1974	79.3	1,442.1	5.5%
1940	1.7	96.7	1.7%	1975	86.5	1,559.8	5.5%
1941	6.4	114.0	5.6%	1976	89.6	1,736.7	5.7%
1942	25.7	144.2	17.8%	1977	97.2	1,971.3	5.6%
1943	66.7	180.1	37.0%	1978	104.5	2,218.6	5.3%
1944	79.1	209.0	37.9%	1979	116.3	2,503.8	5.2%
1980	134.0	2,732.1	4.9%	1995	272.1	7,324.0	3.7%
1981	157.5	3,061.6	5.1%	1996	265.8	7,694.6	3.5%
1982	185.3	3,228.6	5.7%	1997	270.5	8,185.2	3.3%
1983	209.9	3,440.5	6.1%	1998	268.5	8,663.9	3.1%
1984	227.4	3,839.4	5.9%	1999	274.9	9,124.3	3.0%
1985	252.7	4,136.6	6.1%	2000	294.5	9,744.3	3.0%
1986	273.4	4,401.4	6.2%	2001	308.5	10,150.5	3.0%
1987	282.0	4,647.0	6.1%	2002	348.0	10,361.6	3.4%
1988	290.4	5,014.7	5.8%	2003	379.0	10,922.3	3.5%
1989	303.6	9,824.4	3.1%	2004	393.8	11,525.8	3.4%

Fiscal Year	National Defense Outlays	GNP/ GDP	Outlays as % of GNP/GDP	Fiscal Year	National Defense Outlays	GNP/ GDP	Outlays as % of GNP/GDP
1990	299.3	5,735.6	5.2%	2005	413.5	12,158.9	3.4%
1991	273.3	5,930.4	4.6%	2006	428.5	12,803.3	3.3%
1992	298.4	6,218.6	4.8%	2007	442.5	13,448.0	3.3%
1993	291.1	6,558.4	4.4%				
1994	281.6	6,944.6	4.1%				

Sources: Outlays, FY1910-1939, and GNP, FY1910-1929, from U.S. Department of Commerce, *Historical Statistics of the United States*, Washington: GPO, 1975; outlays, FY1940-2007, and GDP, FY1930-2007, from U.S. Office of Management and Budget, *Historical Tables: Budget of the United States Government, Fiscal Year 2003*, February 2002.

Notes: This and other tables in this report use OMB data that reflect enacted and proposed changes in accounting for retirement benefits. Figures reflect (1) enacted accrual accounting for health care benefits for over-65 military retirees beginning in FY2003; (2) proposed accrual accounting for health care benefits for under-65 military retirees beginning in FY2004; and (3) proposed accrual accounting for all civilian retirement pension and health benefits beginning in FY2003. Data in these tables also reflect OMB scoring of funds provided in the Emergency Terrorism Response supplemental appropriations act approved in September 2001. For an explanation of the impact of accrual accounting and of budget scoring conventions, see the Introduction, above. For this and following tables, national defense outlay figures for FY1990 and beyond **do not** exclude Operation Desert Shield/Desert Storm costs and receipts, since the amounts involved cannot be separated from national economic activity or from total federal outlays. GNP before 1930, GDP thereafter.

Figure 5: National Defense Outlays, FY1910-2007

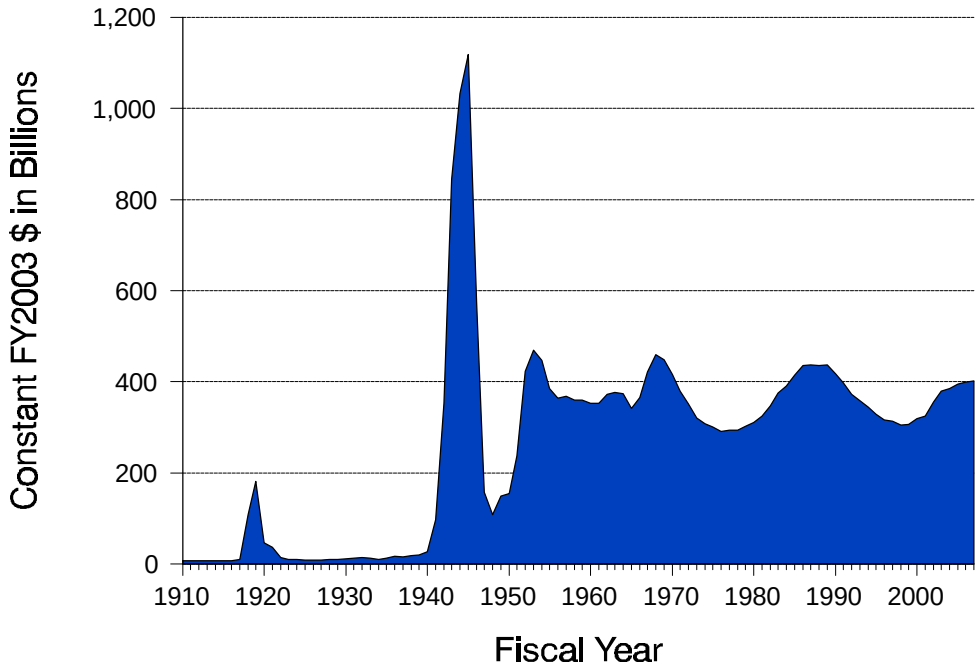

Figure 6: National Defense Budget Authority and Outlays, FY1947-2007

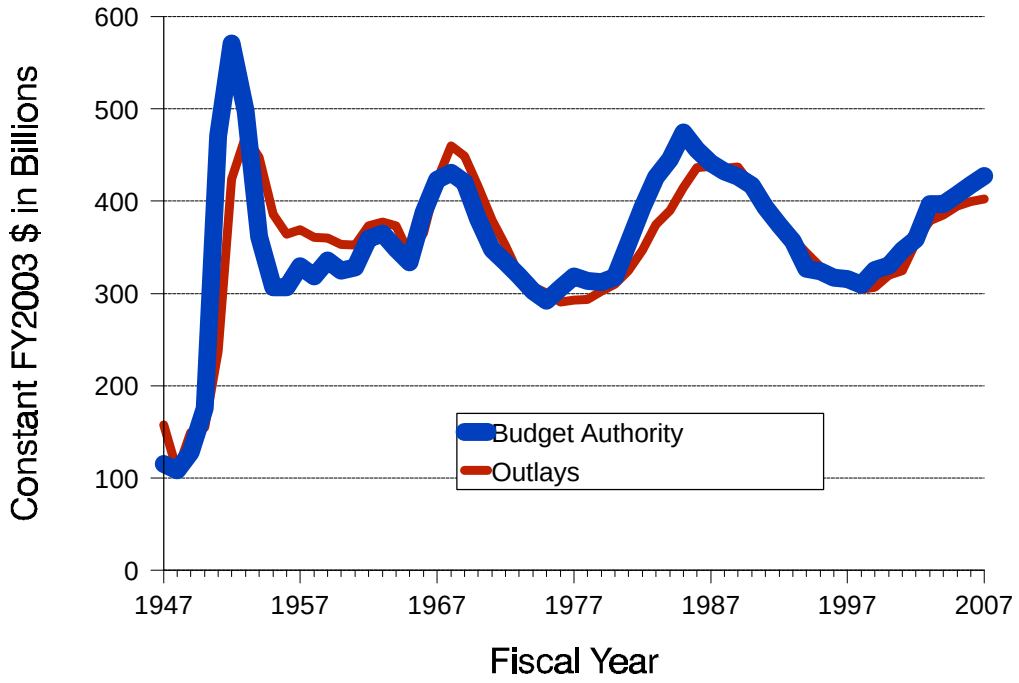

Figure 7: National Defense Outlays, Percentage of GDP/GNP, FY1910-2007

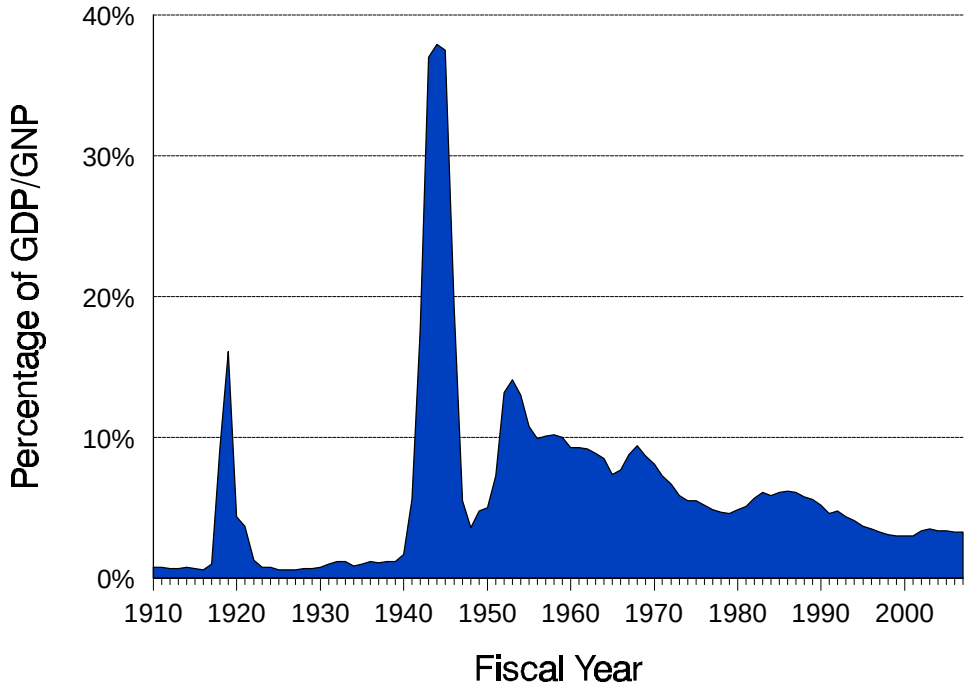

Figure 8: National Defense Outlays, Percentage of GDP, FY1947-2007

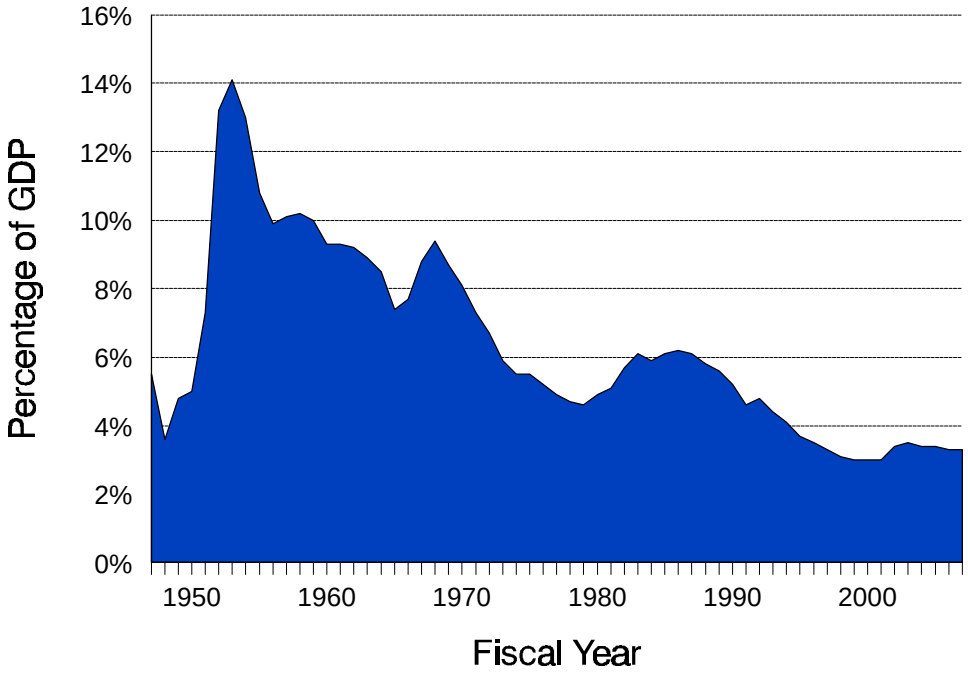

Table 12. Allocation of Federal Outlays by Budget Enforcement Act Category, FY1962-2007

(current year dollars in billions)

Fiscal Year	Defense Discretionary Outlays	Non-Defense Discretionary Outlays	Mandatory Outlays	Net Interest	Total Federal Outlays
1962	52.6	19.5	27.9	6.9	106.8
1963	53.7	21.6	28.3	7.7	111.3
1964	55.0	24.1	31.2	8.2	118.5
1965	51.0	26.8	31.8	8.6	118.2
1966	59.0	31.1	35.0	9.4	134.5
1967	72.0	34.5	40.7	10.3	157.5
1968	82.2	35.8	49.1	11.1	178.1
1969	82.7	34.6	53.6	12.7	183.6
1970	81.9	38.3	61.0	14.4	195.6
1971	79.0	43.5	72.8	14.8	210.2
1972	79.3	49.2	86.7	15.5	230.7
1973	77.1	53.3	98.0	17.3	245.7
1974	80.7	57.5	109.7	21.4	269.4
1975	87.6	70.3	151.1	23.2	332.3
1976	89.9	85.7	169.5	26.7	371.8
1977	97.5	99.6	182.2	29.9	409.2
1978	104.6	114.1	204.6	35.5	458.7
1979	116.8	123.2	221.4	42.6	504.0
1980	134.6	141.7	262.1	52.5	590.9
1981	158.0	149.9	301.6	68.8	678.2
1982	185.9	140.0	334.8	85.0	745.8
1983	209.9	143.4	365.2	89.8	808.4
1984	228.0	151.4	361.3	111.1	851.9
1985	253.1	162.7	401.1	129.5	946.4
1986	273.8	164.7	415.9	136.0	990.5
1987	282.5	161.7	421.3	138.7	1,004.1
1988	290.9	173.5	448.2	151.8	1,064.5
1989	304.0	184.8	485.8	169.0	1,143.7
1990	300.1	200.4	568.2	184.4	1,253.2
1991	319.7	213.6	596.6	194.5	1,324.4
1992	302.6	231.2	648.5	199.4	1,381.7
1993	292.4	247.0	671.4	198.7	1,409.5
1994	282.3	259.1	717.5	203.0	1,461.9
1995	273.6	271.3	738.8	232.2	1,515.8
1996	266.0	266.7	786.8	241.1	1,560.6
1997	271.7	275.6	810.0	244.0	1,601.3
1998	270.2	281.9	859.4	241.2	1,652.6
1999	275.5	296.5	900.2	229.8	1,701.9
2000	295.0	319.9	951.0	223.0	1,788.8
2001	309.1	348.3	1,000.3	206.2	1,863.9
2002	348.0	392.5	1,133.4	178.4	2,052.3
2003	379.0	410.0	1,158.6	180.7	2,128.2
2004	393.7	421.3	1,185.3	188.8	2,189.1
2005	413.4	424.9	1,248.3	190.2	2,276.9
2006	428.5	429.3	1,322.9	188.3	2,369.1
2007	442.5	437.5	1,402.4	185.3	2,467.7

Source: U.S. Office of Management and Budget, *Historical Tables: Budget of the United States Government, Fiscal Year 2003*, February 2002.

Note: National defense outlay figures do not exclude Desert Shield/Desert Storm costs and receipts. This and other tables in this report use OMB data which reflect enacted and proposed changes in accrual accounting for retirement benefits after FY2003. Data in these tables also reflect OMB scoring of funds provided in the Emergency Terrorism Response supplemental appropriations act approved in September 2001. For an explanation of the impact of accrual accounting and of budget scoring conventions, see the Introduction, above.

Table 13. Allocation of Federal Outlays by Budget Enforcement Act Category, FY1962-2007

(percentage of total outlays)

Fiscal Year	Defense Discretionary Outlays	Non-Defense Discretionary Outlays	Mandatory Outlays	Net Interest	Defense Share Discretionary
1962	49.3	18.3	26.1	6.5	73.0
1963	48.2	19.4	25.4	6.9	71.3
1964	46.4	20.3	26.3	6.9	69.5
1965	43.1	22.7	26.9	7.3	65.6
1966	43.9	23.1	26.0	7.0	65.5
1967	45.7	21.9	25.8	6.5	67.6
1968	46.2	20.1	27.6	6.2	69.7
1969	45.0	18.8	29.2	6.9	70.5
1970	41.9	19.6	31.2	7.4	68.1
1971	37.6	20.7	34.6	7.0	64.5
1972	34.4	21.3	37.6	6.7	61.7
1973	31.4	21.7	39.9	7.0	59.1
1974	30.0	21.3	40.7	7.9	58.4
1975	26.4	21.2	45.5	7.0	55.4
1976	24.2	23.1	45.6	7.2	51.2
1977	23.8	24.3	44.5	7.3	49.5
1978	22.8	24.9	44.6	7.7	47.8
1979	23.2	24.4	43.9	8.5	48.7
1980	22.8	24.0	44.4	8.9	48.7
1981	23.3	22.1	44.5	10.1	51.3
1982	24.9	18.8	44.9	11.4	57.0
1983	26.0	17.7	45.2	11.1	59.4
1984	26.8	17.8	42.4	13.0	60.1
1985	26.7	17.2	42.4	13.7	60.9
1986	27.6	16.6	42.0	13.7	62.4
1987	28.1	16.1	42.0	13.8	63.6
1988	27.3	16.3	42.1	14.3	62.6
1989	26.6	16.2	42.5	14.8	62.2
1990	23.9	16.0	45.3	14.7	59.9
1991	24.1	16.1	45.0	14.7	59.9
1992	21.9	16.7	46.9	14.4	56.7
1993	20.7	17.5	47.6	14.1	54.2
1994	19.3	17.7	49.1	13.9	52.1
1995	18.0	17.9	48.7	15.3	50.2
1996	17.0	17.1	50.4	15.4	49.9
1997	17.0	17.2	50.6	15.2	49.7
1998	16.3	17.1	52.0	14.6	48.9
1999	16.2	17.4	52.9	13.5	48.2
2000	16.5	17.9	53.2	12.5	48.0
2001	16.6	18.7	53.7	11.1	47.0
2002	17.0	19.1	55.2	8.7	47.0
2003	17.8	19.3	54.4	8.5	48.0
2004	18.0	19.2	54.1	8.6	48.3
2005	18.2	18.7	54.8	8.4	49.3
2006	18.1	18.1	55.8	7.9	50.0
2007	17.9	17.7	56.8	7.5	50.3

Source: U.S. Office of Management and Budget, *Historical Tables: Budget of the United States Government, Fiscal Year 2003*, February 2002.

Note: National defense outlay figures do not exclude Desert Shield/Desert Storm costs and receipts. This and other tables in this report use OMB data which reflect enacted and proposed changes in accrual accounting for retirement benefits after FY2003. Data in these tables also reflect OMB scoring of funds provided in the Emergency Terrorism Response supplemental appropriations act approved in September 2001. For an explanation of the impact of accrual accounting and of budget scoring conventions, see the Introduction, above.

Figure 9: National Defense Outlays, Percentage of Federal Outlays, FY1940-2007

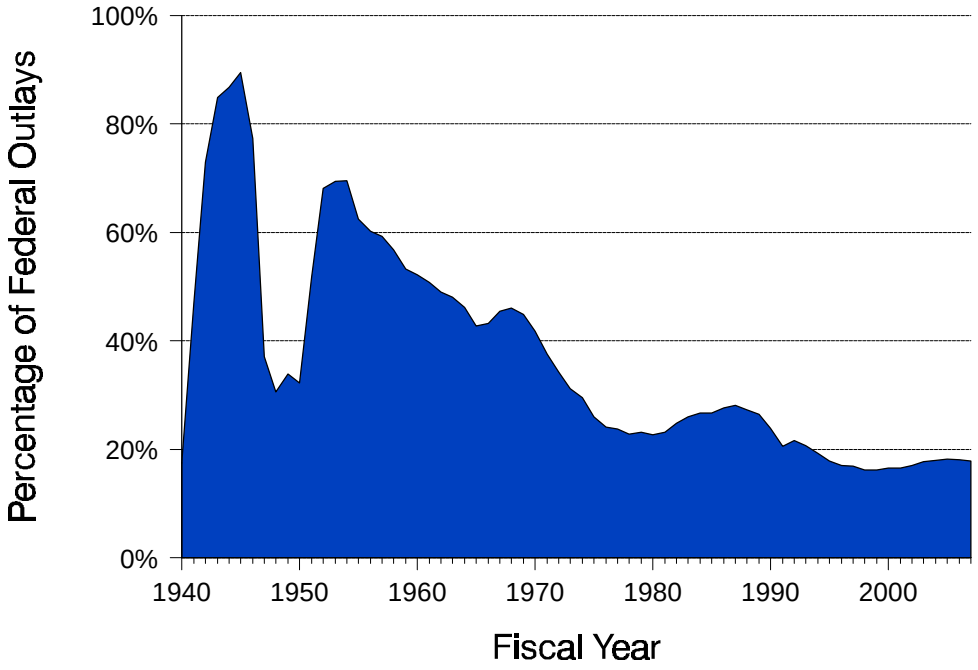

Figure 10: Federal Outlays by Budget Enforcement Act Category, FY1962-2007

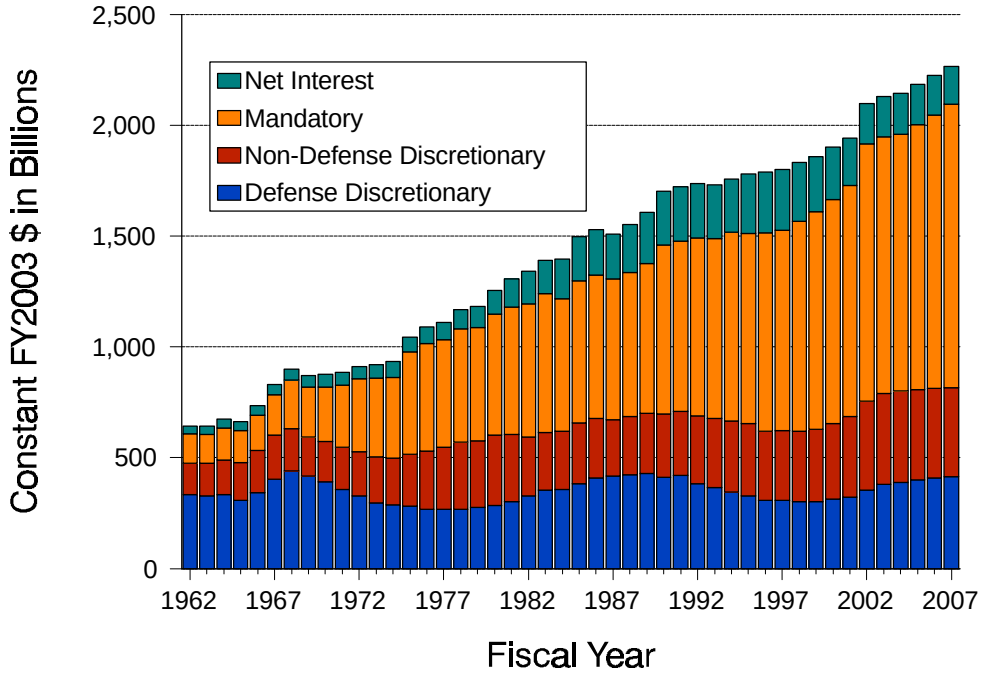

Table 14. Trends in Department of Defense Future-Years Defense Plans

(budget authority, current year dollars in billions)

Admin. Request	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
FY1987, 2/86	**312**	**332**	**354**	**375**	**396**																
FY1988, 1/87	282	**303**	**323**	**344**	**365**	**387**															
FY1989, 2/88	279	283	**291**	**307**	**324**	**342**	**360**														
Reagan FY1990	279	284	290	**306**	**321**	**336**	**351**	**366**													
Bush FY1990	279	284	290	**296**	**311**	**322**	**336**	**350**													
FY1991, 1/90	279	284	290	289	**295**	**300**	**304**	**308**	**312**												
FY1992, 2/91	279	284	291	291	280	**278**	**278**	**278**	**281**	**283**	**287**										
FY1993, 1/92	279	284	291	291	298	269	**268**	**268**	**270**	**270**	**275**										
FY1994, 3/93	279	284	291	291	284	275	259	**251**	**248**	**240**	**233**	**241**									
FY1995, 2/94	279	284	291	291	284	275	267	249	**252**	**243**	**240**	**247**	**253**								
FY1996, 2/95	279	284	291	291	284	275	267	251	253	**246**	**243**	**248**	**256**	**266**	**277**						
FY1997, 3/96	279	284	291	291	284	275	267	251	256	252	**243**	**248**	**254**	**262**	**270**	**277**					
FY1998, 2/97	279	284	291	291	284	275	267	251	256	252	250	**251**	**256**	**263**	**270**	**277**					
FY1999, 2/98	279	284	291	293	276	282	267	251	256	254	258	255	**257**	**263**	**271**	**274**	**284**				
FY2000, 2/99	279	284	291	293	276	282	267	251	256	254	258	259	263	**267**	**286**	**288**	**299**	**308**	**319**		
FY2001, 2/00	279	284	291	293	276	282	267	251	256	254	258	259	278	280	**291**	**295**	**301**	**308**	**316**		
FY2002, 6/01	279	284	291	293	276	282	267	251	256	254	258	259	278	280	301	**328**	**337**	**346**	**356**	**366**	
FY2003, 2/02	279	284	291	293	276	282	267	251	256	255	258	259	279	290	313	333	**379**	**387**	**408**	**429**	**451**

Sources: U.S. Office of Management and Budget, *Historical Tables: Budget of the United States Government, FY2003*, February 2002 and prior years; for FY2002 request, U.S. Office of Management and Budget, "Policy Function and Category Summary," mimeo, August 2001; for FY1994 request, U.S. Office of Management and Budget, *Budget Baselines, Historical Data, and Alternatives for the Future*, January 1993.

Notes: Boldface denotes the future-year defense plan projected at the time of the budget submission. Figures for the budget year and following years reflect the Administration's request and future budget projections. Figures for the year immediately preceding the year for which funding is requested (e.g., FY2002 in the FY2003 request) represent the Administration's estimate of the amount enacted by Congress and may include proposed supplemental appropriations and rescissions. Figures for earlier years reflect changes to the enacted level due to congressional action on supplemental appropriations and rescissions, transfers of budget authority from one year to another, and/or adjustments in contract authority for Working Capital Funds. The large discrepancies in year-to-year estimates for FY1991 are due to substantial changes in accounting for Operation Desert Shield/Desert Storm. Figures in this table have not been adjusted to exclude funding for Operation Desert Shield/Desert Storm. This and other tables in this report use OMB data which reflect enacted and proposed changes in accrual accounting for retirement benefits after FY2003. Data in these tables also reflect OMB scoring of funds provided in the Emergency Terrorism Response supplemental appropriations act approved in September 2001. For an explanation of the impact of accrual accounting and of budget scoring conventions, see the Introduction, above.

Table 15. Defense Spending by Top 25 Foreign Nations

(current year U.S. dollars in millions)

Country	Rank	US Dept. of State: WMEAT 1998		IISS: Military Balance 2001-2002	
		Defense Expenditures (1997 data)	% GDP	Defense Expenditures (2000 data)	% GDP
United States	1	276,300	3.3%	291,200	3.0%
China — Mainland	2	74,910	2.2%	42,000	5.4%
Russia	3	41,730	5.8%	60,000	5.0%
France	4	41,520	3.0%	35,000	2.6%
Japan	5	40,840	1.0%	45,600	1.0%
United Kingdom	6	35,290	2.8%	34,600	2.4%
Germany	7	32,870	1.6%	28,800	1.6%
Italy	8	22,720	2.0%	21,000	2.0%
Saudi Arabia	9	21,150	14.4%	18,700	10.1%
Korea, South	10	15,020	3.4%	12,800	2.8%
Brazil	11	14,150	1.8%	17,900	2.8%
China — Taiwan	12	13,060	4.6%	17,600	5.6%
India	13	10,850	2.8%	14,700	3.1%
Israel	14	9,335	9.7%	9,500	8.9%
Australia	15	8,463	2.2%	7,100	1.9%
Canada	16	7,800	1.3%	8,100	1.2%
Turkey	17	7,792	4.0%	10,800	5.2%
Spain	18	7,670	1.5%	7,200	1.3%
Netherlands	19	6,839	1.9%	6,500	1.9%
Korea, North	20	6,000	27.5%	2,100	13.9%
Singapore	21	5,664	5.7%	4,800	4.9%
Poland	22	5,598	2.3%	3,300	2.0%
Sweden	23	5,550	2.5%	5,300	2.2%
Greece	24	5,533	4.6%	5,600	4.9%
Indonesia	25	4,812	2.3%	1,500	1.0%

Sources: U.S. Department of State: Bureau of Arms Control, *World Military Expenditures and Arms Transfers: 1998*, April 2000. International Institute for Strategic Studies, *The Military Balance 2001-2002*, October 2001.

Notes: For information on a total of 167 countries and details on this data, see CRS Report RL30931, *Military Spending by Foreign Nations: Data from Selected Public Sources.*

Military spending in this table is defined primarily by the NATO standard definition: cash outlays of central governments to meet costs of national armed forces. This definition includes military retired pay, which is excluded in the U.S. Office of Management and Budget's definition of DOD outlays. Therefore, the U.S. outlay numbers may be higher in this table than the reported DOD outlay numbers in the rest of the report.

Part III: Definitions of Budget Terms[2]

The definitions that follow are taken from Office of Management and Budget and Department of Defense publications.

Accrual Accounting – as applied to military retired pay, a method of recording costs designed to reflect the liability of the federal government for the future retirement costs of military personnel currently on active or reserve duty. First used in FY1985 in DOD, this method of accounting represents a change from the earlier practice in which the cost of military retirement was measured in terms of actual payments to current retirees.

Appropriation – one form of budget authority provided by Congress for the funding of an agency, department, or program for a given amount of time. An appropriation provides funds for purposes specifically designated by Congress. Funds will not necessarily all be spent in the year in which they are initially provided.

Authorization – establishes or maintains a government program or agency by defining its scope. Authorizing legislation is normally a prerequisite for appropriations and may set specific limits on the amount that may be appropriated for the specified program or agency. An authorization, however, does not make money available, and sometimes appropriations are made without having been authorized.

Budget Authority – legal authority for an agency to enter into obligations for the provision of goods or services. It may be available for one or more years. An appropriation is one form of budget authority.

Current/Constant Dollars – the cost of goods or services in **current dollars** is the value in terms of prices current at the time of purchase – current dollars are also referred to simply as "dollars" or as "then-year dollars." The cost of goods or services in **constant dollars** is the value adjusted to eliminate the effects of changes in prices (usually due to inflation). Constant dollars, expressed in terms of an arbitrary reference year (e.g., **Fiscal Year 2003 dollars**), are determined by dividing current dollars by a "deflator" based on the prices in the reference year. Constant dollars are used to assess growth rates of programs independently of the effects of inflation. Growth rates in constant, inflation-adjusted dollars are referred to as "real growth" rates.

Deficit – in the federal budget, the amount by which total federal budget outlays for a given fiscal year exceed total federal revenues for that year.

Fiscal Year – a fiscal year in the federal government begins on October 1 and ends on September 30 and is designated by the calendar year in which it **ends**. Thus,

---

[2]For a complete glossary of defense budget terms, see CRS Report RL30002, *A Defense Budget Primer* by Mary T. Tyszkiewicz and Stephen Daggett.

FY2003 begins on October 1, 2002 and will end on September 30, 2003. (Note that the federal fiscal year ran from July 1 to June 30 until FY1977.)

National Defense Budget Function – one of the categories of the federal budget. It consists of the Department of Defense (DOD) budget, which funds all direct DOD military programs, and of a number of defense-related activities administered by other agencies. These activities include atomic energy defense activities funded through the Department of Energy, civil defense programs administered by the Federal Emergency Management Agency, and the Selective Service System. The DOD budget constitutes more than 95% of the National Defense Budget Function.

Obligation – an order placed, contract awarded, service agreement undertaken, or other commitments made by federal agencies during a given period which will require outlays during the same or some future period.

Outlays – money spent by a federal agency from funds provided by Congress. Outlays in a given fiscal year are a result of obligations that in turn follow the provision of budget authority.

Unexpended Funds – budget authority that has been appropriated by Congress, but remains unspent, representing future outlays. Unexpended funds, whether obligated or as yet unobligated, are formally appropriated by Congress for specific programs.

Unobligated Funds – budget authority that has been appropriated by Congress for specific programs but that has not yet been pledged or obligated by contract.